

REPORT TO THE
HUMAN RESOURCES COMMITTEE

RECOMMENDATION TO AWARD CONTRACTS FOR
EMPLOYEE AND RETIREE MEDICAL, DENTAL, AND
PRESCRIPTION DRUG PLANS

June 2014

Requested Action

Staff requests that the Human Resources Committee approve and recommend to the Board of Directors the award of contracts for the following Benefits Plans for a three year term with three additional one-year options.

Contract	Value of Initial Three Year Term
Medical - Preferred Provider (PPO), Exclusive Provider (EPO) and Medicare Advantage (MA) Plan Options	\$56,366,000
Medical - Staff Model Health Maintenance Organization Option	\$11,164,000
Prescription Drug Plan (for PPO, EPO and MA participants)	\$16,374,000
Dental Plan	\$4,108,000
Total	\$88,012,000

BACKGROUND

Last November the Business Administration Committee concurred with staff's request to re-compete employee benefit supplier contracts with the following goals:

- Assure “best value” – through competitive bidding.
- Update plan integration to take full advantage of Medicare savings opportunities.
 - Medicare Advantage Plan
 - Employer Group Waiver Plan (EGWP)
- No Change in participant benefit levels and cost sharing percentage.

DISCUSSION

Competitive bidding attracted a robust field for all of the solicitations - evaluated proposals using a “best value” methodology.

- A Technical Evaluation Team (TET) was comprised of five MWAA staff members, and a non-voting member from the office of Procurement and Contracts.
- A Cost Evaluation Team (CET) comprised of one MWAA staff member and one senior consultant from Aon Hewitt evaluated cost proposals.

DISCUSSION (continued)

- Both evaluation teams submitted reports to the Source Selection Authority (SSA) committee. The SSA Committee was comprised of two Vice Presidents and an employee from the Office of Procurement and Contracts.
- The SSA Committee took into consideration both the technical scores and analysis and the pricing proposals of the technically qualified bidders in determining which proposals provided “best value” to the Airports Authority and plan participants.

Recommendation - Status Quo vs. Projected 3 Year Spend

PPO, EPO, & MA PLANS				
	Status Quo	Award Amount	Difference \$\$	Difference %
Total Spend	\$63,965,000	\$56,366,000	(\$7,599,000)	-11.88%
STAFF MODEL HMO				
	Status Quo	Award Amount	Difference \$\$	Difference %
Total Spend	\$11,502,000	\$11,164,000	(\$338,000)	-2.94%
PRESCRIPTION DRUG (PPO, EPO, & MA PARTICIPANTS)				
	Status Quo	Award Amount	Difference \$\$	Difference %
Total Spend	\$16,094,000	\$16,374,000	\$280,000	1.74%
DENTAL				
Total Spend	Status Quo	Award Amount	Difference \$\$	Difference %
	\$4,093,000	\$4,108,000	\$15,000	0.37%
TOTALS				
	Status Quo	Award Amount	Difference \$\$	Difference %
Total Spend	\$95,654,000	\$88,012,000	(\$7,642,000)	-7.99%



Redesign Medicare-Eligible Health Care Coverage

- Adoption of Medicare Advantage Plan and EGWP
 - Major effect on liability for Post-Retirement Health Benefits
- Reductions in liability, expense, and cash contributions
 - Significant improvement to financial statement

2015 Summary – Effect on Liability

\$(in millions)	Current Position (Projected to 2015)	Proposed Design Effective 1/1/2015 (Medicare Advantage Plan with EGWP Savings for all Post 65 Retirees)	Change
2015 VEBA Trust Assets	\$81.28	\$81.28	\$0.00
2015 Actuarial Accrued Liability	\$172.47	\$111.19	(\$61.28)
2015 Funded Status	47%	73%	25%
2015 Annual OPEB Cost	\$12.69	\$6.06	(\$6.63)
Annual Claim Cost	\$5.43	\$4.26	(\$1.17)
VEBA Trust Contribution	\$7.26	\$1.80	(\$5.46)

Summary

- No changes in benefit levels and protection for our employees, retirees and their families.
- Savings will be shared with participants based on current premium allocation (80/20).
- Significantly reduces current unfunded liability for retiree health benefits.
- Places Airports Authority on a sound footing for a healthy active and retiree health care plan now and in the future.



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON
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